

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – Second Regular Session

MINUTES RECEIVED
CHIEF CLERK'S OFFICE

3-4-16

COMMITTEE ON BANKING AND FINANCIAL SERVICES

Report of Regular Meeting
Tuesday, March 1, 2016
House Hearing Room 3 -- 2:00 p.m.

Convened 5:42 p.m.

Recessed

Reconvened

Adjourned 5:51 p.m.

Members Present

Mr. Allen
Mr. Espinoza
Mr. Farnsworth E.
Mrs. Gabaldon
Ms. McCune Davis
Mrs. Norgaard
Mr. Weninger, Vice-Chairman

Members Absent

Mrs. Brophy McGee, Chairman

Agenda

Original Agenda – Attachment 1

Request to Speak

Report – Attachment 2

Presentations

Name

None

Organization

Attachments (Handouts)

Committee Action

Bill


Action

Vote

**Attachments (Summaries,
Amendments, Attendance)**

SB1003	DP
SB1005	DP
	Committee Attendance

7-0-0-1	3, 4
7-0-0-1	5, 6
	7


Sarah Griffith, Chairman Assistant
Friday, March 4, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

CON: 5:42 p.m.

ADJ: 5:51 p.m.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON BANKING AND FINANCIAL SERVICES

DATE Tuesday, March 1, 2016

ROOM HHR 3

TIME 2:00 P.M.

Members:

Mr. Allen J
Mr. Espinoza
Mr. Farnsworth E

Mrs. Gabaldón
Ms. McCune Davis
Mrs. Norgaard

Mr. Weninger, Vice-Chairman
Mrs. Brophy McGee, Chairman

Bills	Short Title	Strike Everything Title
SB1003	<u>DP</u> securities; exempt transactions (Farnsworth D, Burges, Farley, et al)	
	<u>7-0-0-1</u> BFS, RULES	
SB1005	<u>DP</u> private fund advisers; exemption (Farnsworth D; Shooter, Cobb, et al)	
	<u>7-0-0-1</u> BFS, RULES	

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

SG
2/25/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Attachment 1

Information Registered on the Request to Speak System

House Banking and Financial Services (3/1/2016)

SB1003, securities; exempt transactions

Support:

Dianne McCallister, AZ TECHNOLOGY COUNCIL; Lyn Harry White, AZ Small Business Association

SB1005, private fund advisers; exemption

Support:

Dianne McCallister, Arizona Technology Council; Lori Lustig, Arizona Corporation Commission; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Lyn Harry White, AZ Small Business Association

All Comments:

Lori Lustig, Arizona Corporation Commission: The ACC supports the bill as amended in Senate Financial Institutions.



HOUSE OF REPRESENTATIVES

SB 1003

securities; exempt transactions

Prime Sponsor: Senator Farnsworth D, LD 16

X Committee on Banking and Financial Services

Caucus and COW

House Engrossed

OVERVIEW

SB 1003 extends the isolated transaction exemption to securities sold under the crowdfunding law.

PROVISIONS

1. Exempts securities sold under the crowdfunding exemption from statutory registration requirements for securities sold in good faith by the bona fide owner in an isolated transaction.
2. Specifies the sale of securities that are sold by the bona fide owner is exempt from the restriction on repeated or successive transactions if the following apply:
 - a. The sale is of a security that when originally issued was exempt under the crowdfunding law; and
 - b. At least nine months have passed from the date of the last sale of such securities by the issuer to a resident of this state.
3. Makes technical changes.

CURRENT LAW

Statute authorizes an exemption from statutory registration requirements for securities that are sold in good faith by the bona fide owner of such securities in an isolated transaction where the sales are not made in the course of repeated or successive transactions of similar character by the owner and are not made directly or indirectly for the benefit of the issuer or the underwriter of the securities (A.R.S. § 44-1844).

Attachment 3

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

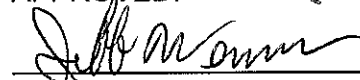
ROLL CALL VOTE

COMMITTEE ON BANKING AND FINANCIAL SERVICES BILL NO. SB 1003

DATE March 1, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Allen J		✓			
Mr. Espinoza		✓			
Mr. Farnsworth E		✓			
Mrs. Gabaldón		✓			
Ms. McCune Davis		✓			
Mrs. Norgaard		✓			
Mr. Weninger, Vice-Chairman		✓			
Mrs. Brophy McGee, Chairman					✓
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APPROVED:


KATE BROPHY MCGEE, Chairman
JEFF WENINGER, Vice-Chairman


COMMITTEE SECRETARY

ATTACHMENT 4



HOUSE OF REPRESENTATIVES

SB 1005

private fund advisers; exemption

Prime Sponsor: Senator Farnsworth D, LD 16

X Committee on Banking and Financial Services

Caucus and COW

House Engrossed

OVERVIEW

SB 1005 exempts a private fund adviser (adviser) from licensure and notice filing requirements provided that certain criteria are met.

PROVISIONS

1. Exempts an investment adviser who is a private fund adviser from statutory licensing and notice filing requirements provided:
 - a. The adviser, or its affiliates, is not subject to an event that would disqualify an issuer under federal law.
 - b. The adviser to a qualifying private fund that is not a venture capital company:
 - i. Files with the Arizona Corporation Commission (ACC) each report that the adviser is required to file with the Securities and Exchange Commission (SEC) in accordance with federal law.
 - The adviser must file electronically with ACC through the Investment Adviser Registration Depository.
 - ii. Has paid a fee of \$125 to the ACC for each calendar year it utilizes the licensure exemption.
 - c. The adviser who advises at least one Retail Buyer Fund (Fund) and who complies with all of the following requirements with respect to each Fund:
 - i. Only advises those Funds whose outstanding securities are owned by either:
 - Any person who, at the time the securities are sold, the adviser believes to be an accredited investor, or a manager, director, officer or employee of the adviser; or
 - Any person that obtains the security through a transfer not involving a sale of that security.
 - ii. Discloses all services and duties that are provided to the purchaser of the securities prior to the time of purchase of a security of a Fund.
 - This action does not relieve the adviser of any disclosure obligations.
 - iii. Obtains an annual audited financial statement of each Fund that is advised by the adviser and delivers a copy of the statements to each purchaser of securities of the Fund.
 - Does not apply to a Limited Retail Buyer Fund which each owner of outstanding securities of the fund has waived this requirement.
2. Stipulates an adviser is not eligible for the exemption if they are registered with the SEC.

3. Specifies a person is not required to be licensed or make a notice filing if they are employed by or associated with an investment adviser who is exempt under this act and does not act as an investment adviser representative.
4. Requires an adviser who becomes ineligible for the exemption to comply with all laws and rules regarding licensing or notice filing within 90 days.
5. Stipulates that an event that would disqualify an adviser or its affiliates according to federal law does not apply upon a showing of good cause and without prejudice if the ACC determines that the circumstances do not merit an exemption denial.
6. Asserts that an adviser to a Fund that existed before September 1, 2016 and does not qualify for the exemption to potentially be eligible if the following conditions are met:
 - a. Beginning on September 1, 2016, the RBF ceases to sell securities to persons other than an accredited investor, or a manager, director, officer or employee of the adviser.
 - b. The adviser discloses in writing to the purchaser all the services and duties provided by the investment adviser to each purchaser of securities of the Fund December 1, 2016.
 - c. For every fiscal year that occurs after August 31, 2016, the adviser provides audited financial statements to each owner of securities of the Fund.
7. Specifies that an adviser who has custody of any securities or funds is not exempt from the rules and regulations regarding custody of client's funds or securities set forth by the ACC.
8. Makes conforming changes.
9. Defines pertinent terms.

CURRENT LAW

Statute defines *investment adviser* as any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities.

A.R.S. § 44-3152 states that an investment adviser is not required to be licensed or make a notice filing if they do not have a place of business in Arizona and either:

- a. The only clients in Arizona are investment companies, other investment advisers, dealers, depository institutions, insurance companies, and employee benefit plans with assets of not less than \$1 million and government agencies or instrumentalities.
- b. During the previous 12 months the investment adviser had fewer than six clients who are residents of this state.

ADDITIONAL INFORMATION

The Investment Adviser Act, as amended by Dodd-Frank, provides an exemption from registration for certain investment advisers: the venture capital exemption and the private fund advisers exemption.

Under Section 203(l), an investment adviser that solely advises venture capital funds is exempt from registration requirements. The SEC is required to define *venture capital fund*.

Under Section 203(m), an investment adviser that acts solely as an adviser to private fund with assets under management in the U.S. of less than \$150 million is exempt from registration requirements.

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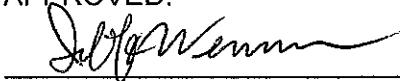
ROLL CALL VOTE

COMMITTEE ON BANKING AND FINANCIAL SERVICES BILL NO. SB 1005

DATE March 1, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Allen J		✓			
Mr. Espinoza		✓			
Mr. Farnsworth E		✓			
Mrs. Gabaldón		✓			
Ms. McCune Davis		✓			
Mrs. Norgaard		✓			
Mr. Weninger, Vice-Chairman		✓			
Mrs. Brophy McGee, Chairman					✓
		7	0	0	1

APPROVED:



KATE BROPHY MCGEE, Chairman
JEFF WENINGER, Vice-Chairman


COMMITTEE SECRETARY

ATTACHMENT 6

ARIZONA STATE LEGISLATURE
Fifty-second Legislature - First Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON BANKING AND FINANCIAL SERVICES

CHAIRMAN: Kate Brophy McGee VICE-CHAIRMAN: Jeff Weninger

DATE	1/19 /16	2/2 /16	2/9 /16	2/16 /16	3/1 /16
CONVENED	2:37 p.m.	2:01 p.m.	3:30 p.m.	4:28 p.m.	5:42 p.m.
RECESSED					
RECONVENED					
ADJOURNED	3:14 p.m.	3:35 p.m.	3:46 p.m.	4:56 p.m.	5:51 p.m.
MEMBERS					
Mr. Allen J	✓	✓	✓	✓	✓
Mr. Espinoza	✓	✓	✓	✓	✓
Mr. Farnsworth E	✓	✓	✓	✓	✓
Mrs. Gabaldón	✓	✓	✓	✓	✓
Ms. McCune Davis	✓	✓	✓	✓	✓
Mrs. Norgaard	✓	✓	✓	✓	✓
Mr. Weninger, Vice-Chairman	✓	✓	✓	✓	✓
Mrs. Brophy McGee, Chairman	✓	✓	—	✓	—

✓

Present

Absent

exc

Excused